

**In The Matter Of:**  
***TERRA FIRMA INVESTMENTS, et al. v.***  
***CITIGROUP, INC., et al.***

---

***Dolenec, Karen - Vol. 1 - 06/18/2010***  
***June 18, 2010***

---

**MERRILL CORPORATION**

**LegalLink, Inc.**

25 West 45th Street  
9th Floor  
New York, NY 10036  
Phone: 212.557.7400  
Fax: 212.692.9171

Dolenec, Karen - 6/18/2010

Page 202

15:52:17 1 (Break taken.)

16:06:01 2 THE VIDEOGRAPHER: Here begins videotape 4,  
16:06:03 3 Volume I in the videotaped deposition of Karen Dolenec.  
16:06:06 4 Going back on the record. The time is 16:06.

16:06:14 5 BY MR. BAUGHMAN:

16:06:14 6 Q. You told me this morning that the summer of 2009  
16:06:27 7 you worked briefly on a project relating to EMI. Do you  
16:06:35 8 recall that?

16:06:35 9 A. Yes, I do.

16:06:36 10 Q. Can you just tell me a little bit more. What were  
16:06:40 11 you doing? What was your assignment?

16:06:49 12 A. It was to explore a possible bond transaction for  
16:06:53 13 EMI Recorded Music.

16:07:08 14 Q. Did you have communications with anyone at Citi in  
16:07:11 15 connection with that project?

16:07:16 16 A. I don't believe so.

16:07:27 17 Q. Who did you work with on that project?

16:07:30 18 A. Who did I work with at Terra Firma on that project?  
16:07:35 19 To the best of my recollection I worked with Phillip Burns,  
16:07:41 20 David Saunders. Other people who were doing roles that were  
16:07:49 21 connected to what I was doing were Ruth Prior, Jade Moore,  
16:07:54 22 Andrew Chad. Those are the people I can remember right now.

16:08:06 23 Q. The acquisition of EMI closed at the end of  
16:08:09 24 August 2007, right?

16:08:12 25 MR. SHERMAN: Objection.

Dolenec, Karen - 6/18/2010

Page 203

16:08:13 1 A. If you say so. I have no reason to disagree with  
16:08:16 2 you.

16:08:17 3 BY MR. BAUGHMAN:

16:08:18 4 Q. After the acquisition have you had any dealings  
16:08:20 5 with anyone at Citigroup relating in any way to EMI?

16:08:27 6 A. I don't believe so.

16:08:29 7 BY MR. BAUGHMAN:

16:08:31 8 Q. Do you know someone named Ian Cockerill?

16:08:40 9 A. The name sounds familiar, but I don't know him.

16:08:43 10 Q. To the best of your knowledge have you ever had any  
16:08:47 11 communications with Mr. Cockerill?

16:08:50 12 A. To the best of my knowledge, no.

16:08:51 13 Q. Do you know a woman named Leslie Ling?

16:08:55 14 A. The name is familiar but I do not know her.

16:08:58 15 Q. To the best of your recollection have you ever had  
16:09:00 16 any communications with Leslie Ling?

16:09:04 17 A. To the best of my knowledge, no.

16:09:06 18 Q. Do you know a man named Chad Leet?

16:09:10 19 A. Again, the name sounds familiar but I don't know  
16:09:12 20 him.

16:09:12 21 Q. To the best of your knowledge have you ever had any  
16:09:15 22 communications with Mr. Leet?

16:09:17 23 A. To the best of my knowledge, no.

16:09:38 24 Q. Would you agree with the proposition that when  
16:09:41 25 Terra Firma buys a company the goal is to make money?

Dolenec, Karen - 6/18/2010

Page 204

16:09:49 1 MR. SHERMAN: Objection.

16:09:54 2 A. The goal of Terra Firma Capital Partners is to  
16:09:57 3 advise the GPs in transactions where we believe it will  
16:10:01 4 be -- where we believe we will be doing -- we will be acting  
16:10:07 5 in the best interests of investors in those funds.

16:10:12 6 BY MR. BAUGHMAN:

16:10:13 7 Q. Isn't their best interest to make money?

16:10:17 8 MR. SHERMAN: Objection.

16:10:17 9 A. At a very high level we would be seeking to make  
16:10:22 10 returns on the funds that they have invested with us.

16:10:31 11 BY MR. BAUGHMAN:

16:10:31 12 Q. And the returns that come from different private  
16:10:35 13 equity investments vary from deal to deal, right?

16:10:41 14 A. That's correct.

16:10:43 15 Q. And in your experience what are some of the factors  
16:10:46 16 that determine the return on a private equity investment?

16:10:54 17 A. Are you talking about generally speaking?

16:10:57 18 Q. Yes, based on your experience in the industry.

16:11:00 19 A. Based on my experience in the industry factors that  
16:11:02 20 impact the returns that one makes on an investment are a  
16:11:07 21 wide variety of factors but including the price at which  
16:11:13 22 you've acquired the investment, the price at which you can  
16:11:16 23 sell the investment at, financing conditions along the way,  
16:11:21 24 whether or not you were able to re-finance along the way.  
16:11:27 25 Those are then in turn impacted by a number of other issues.

Dolenec, Karen - 6/18/2010

Page 205

16:11:35 1 Q. Could you give me some examples?

16:11:37 2 A. Examples are factors that would impact those other  
16:11:40 3 factors that I mentioned earlier?

16:11:42 4 Q. Yes.

16:11:43 5 A. Okay. So the price at which you can sell a  
16:11:46 6 business for would be based on the performance -- the  
16:11:54 7 historical performance of the company. The future prospects  
16:11:59 8 of the company. The historical and future prospects of the  
16:12:04 9 industry overall. The financial wherewithal of potential  
16:12:07 10 buyers. What other opportunities those potential buyers  
16:12:13 11 might have for investing their capital. What the financing  
16:12:16 12 markets look like. What sort of debt financing is  
16:12:19 13 available. The level of interest rates. The alternative  
16:12:30 14 sources of capital overall. What potential buyers feel  
16:12:35 15 about their own businesses and their own needs for cash  
16:12:38 16 going forward. Is that enough? Do you want me to continue?

16:12:46 17 Q. Very helpful. Simply put, every deal is different,  
16:12:50 18 right?

16:12:51 19 A. I would say that every deal has its own  
16:12:54 20 characteristics, yes.

16:12:56 21 Q. And the factors that determine whether or not you  
16:13:03 22 make a particular return on deal A may or may not apply to  
16:13:09 23 deal B, right?

16:13:12 24 A. The specific factors may very well be different.

16:14:37 25 MR. BAUGHMAN: Let's take a two minute break.

Dolenec, Karen - 6/18/2010

Page 206

16:14:40 1 THE VIDEOGRAPHER: Going off the record. The time  
16:14:42 2 is 16:14.

16:14:49 3 (Break taken.)

16:22:32 4 THE VIDEOGRAPHER: Going back on the record. The  
16:22:33 5 time is 16:22.

16:22:35 6 BY MR. BAUGHMAN:

16:22:37 7 Q. Ms. Dolenec, I'm going to hand you what I've marked  
16:22:39 8 Exhibit 34. I will represent for the record that this is a  
16:22:45 9 printout of the document that we've produced -- it's a  
16:22:48 10 spreadsheet that was produced as Bates number TF635801.

16:22:54 11 (Exhibit 34 marked for identification.)

16:22:54 12 But when it prints out the Bates number doesn't  
16:22:57 13 appear.

16:23:00 14 MR. SHERMAN: Okay.

16:23:00 15 BY MR. BAUGHMAN:

16:23:00 16 Q. My first question is, have you ever seen that  
16:23:03 17 before?

16:23:03 18 A. No, I have not.

16:23:05 19 Q. Do you know what it is?

16:23:11 20 A. No.

16:23:12 21 Q. Have you ever seen documents like that at  
16:23:14 22 Terra Firma stored in the ordinary course of business?

16:23:22 23 MR. SHERMAN: Objection.

16:23:27 24 A. I haven't seen this exact document to the best of  
16:23:29 25 my recollection, but it appears to be a document that's

Dolenec, Karen - 6/18/2010

Page 207

16:23:35 1 tracking the results of various investments so I have seen  
16:23:43 2 that sort of document before.

16:23:47 3 BY MR. BAUGHMAN:

16:23:48 4 Q. At the top it says -- the first line says "Fund"  
16:23:53 5 and then across the top at least of the first page it says,  
16:23:57 6 "TFCP 1"? What is TFCP 1?

16:24:03 7 A. TFCP 1 would in this context probably be the legacy  
16:24:08 8 portfolio that we had with Nomura.

16:24:28 9 Q. What do I call it? Is it fair to call it TFCP 1?  
16:24:33 10 Is that the fund?

16:24:33 11 A. That's what we call it, I believe, in our marketing  
16:24:36 12 materials.

16:24:36 13 Q. As far as you know is TFCP 1 involved in this  
16:24:39 14 lawsuit in any way?

16:24:43 15 A. Not to the best of my knowledge.

16:24:49 16 Q. And then if you read across the top some of it says  
16:24:56 17 "Realised" and then if you keep going, later on it will say  
16:25:00 18 "Partially Realised" for some. Do you see that?

16:25:07 19 A. Yes, I do.

16:25:08 20 Q. Do you have an understanding of what the difference  
16:25:10 21 between a realized investment and a partially realized  
16:25:14 22 investment is at Terra Firma?

16:25:16 23 A. My understanding of that terminology is that  
16:25:20 24 realized means that that investment has been completely sold  
16:25:25 25 and partially realized means that there has been some return

Dolenec, Karen - 6/18/2010

Page 208

16:25:30 1 on the original investment but still a remaining stake in  
16:25:34 2 that business.

16:25:42 3 Q. The first one here -- I'm now at the next line  
16:25:45 4 down. It refers to Phoenix Inns. Do you know what  
16:25:50 5 Phoenix Inns was?

16:25:56 6 MR. SHERMAN: What was the verb? Phoenix Inns  
16:25:56 7 "was" or "is"?

16:25:56 8 BY MR. BAUGHMAN:

16:25:56 9 Q. Was or is. What's Phoenix Inns? Was that a  
16:25:58 10 transaction done at Nomura?

16:26:02 11 A. Phoenix Inns was an investment in a pub company.

16:26:07 12 Q. That was made in 1995?

16:26:09 13 A. I don't know.

16:26:12 14 Q. Was it the purchase of a company?

16:26:24 15 MR. SHERMAN: Was what the purchase of a company?

16:26:26 16 BY MR. BAUGHMAN:

16:26:26 17 Q. Was the Phoenix Inns transaction the purchase of a  
16:26:29 18 company?

16:26:33 19 A. I'm not entirely sure what it was in terms of the  
16:26:39 20 exact legal structure. It was a portfolio of pubs, but it  
16:26:42 21 may have been more than one company.

16:26:44 22 Q. Do you know if those were acquired in an auction  
16:26:47 23 situation?

16:26:49 24 A. I do not know.

16:26:55 25 Q. Was the structure of the Phoenix Inns transaction



Dolenec, Karen - 6/18/2010

Page 209

16:26:58 1 in any way similar to the EMI transaction?

16:27:08 2 A. I'm not familiar with how the Phoenix Inns  
16:27:10 3 transaction was structured nor am I particularly familiar  
16:27:13 4 with how the EMI transaction is structured so I'm not sure  
16:27:17 5 specifically what you're asking.

16:27:24 6 Q. The next one says Angel Trains. Do you know what  
16:27:26 7 Angel Trains is?

16:27:30 8 A. Angel Trains was what's called a rosco here which  
16:27:34 9 is a train leasing company.

16:27:38 10 Q. And was that -- was the rosco trains transaction  
16:27:43 11 the purchase of a business?

16:27:44 12 A. Was it the purchase of a business?

16:27:46 13 Q. Yeah or a company?

16:27:50 14 A. Again, I'm not sure. I know it involved purchasing  
16:27:52 15 a portfolio of trains. I don't know what the exact legal  
16:27:55 16 structure was of that transaction.

16:28:00 17 Q. Are you aware of any similarities between the  
16:28:02 18 Angel Trains transaction and the EMI transaction?

16:28:09 19 A. Well, they were both investments made by the same  
16:28:13 20 investment team so they would have shared some underlying  
16:28:16 21 characteristics but I wasn't intimately involved -- or  
16:28:19 22 I wasn't involved at all in Angel Trains and I, hopefully  
16:28:23 23 you've discovered, wasn't particularly involved in the EMI  
16:28:27 24 transaction either.

16:28:34 25 Q. AT&T -- pardon me. I think the next one says

Dolenec, Karen - 6/18/2010

Page 210

16:28:38 1 AT&TC. Do you know what that was?

16:28:41 2 A. I believe that stands for AT&T Capital.

16:28:50 3 Q. That was the purchase of a company or purchase of a  
16:28:52 4 business?

16:28:53 5 MR. SHERMAN: Objection.

16:28:54 6 A. I don't know.

16:28:55 7 BY MR. BAUGHMAN:

16:28:55 8 Q. Do you know if that was purchased in an auction  
16:28:57 9 situation?

16:28:57 10 A. No, I do not.

16:28:58 11 Q. Do you know how many bidders there were for that  
16:29:00 12 company?

16:29:01 13 A. I don't know how we came to acquire that  
16:29:03 14 investment.

16:29:08 15 Q. William Hill, that's a bookmaker?

16:29:11 16 A. Yes, it is.

16:29:15 17 Q. And do you know if that was acquired in an auction  
16:29:17 18 situation?

16:29:17 19 A. I do not know that.

16:29:21 20 Q. Based on your experience what are the similarities  
16:29:27 21 between whether or not a bookmaker makes money and whether  
16:29:31 22 or not a record company makes money?

16:29:37 23 MR. SHERMAN: Objection.

16:29:46 24 A. That's quite a broad question. I don't know  
16:29:48 25 specifically what you're asking.

Dolenec, Karen - 6/18/2010

Page 211

16:29:50 1 BY MR. BAUGHMAN:

16:29:51 2 Q. Based on your experience in the private equity  
16:29:54 3 industry, do you believe it's reasonable to use the returns  
16:30:00 4 on a private equity investment in a bookmaker as a predictor  
16:30:05 5 of private equity returns in a record company?

16:30:11 6 MR. SHERMAN: Objection.

16:30:14 7 A. Well you're talking about investments that were  
16:30:16 8 made by the same investment team. In the private equity  
16:30:21 9 market potential investors in a private equity fund do look  
16:30:27 10 at the previous track record of that particular group of  
16:30:30 11 investors.

16:30:36 12 BY MR. BAUGHMAN:

16:30:36 13 Q. Ever heard the phrase "past results are no  
16:30:43 14 predictor of future performance"?

16:30:45 15 A. I have heard of that, yes.

16:30:47 16 Q. And that's something that Terra Firma tells  
16:30:50 17 potential investors, isn't it?

16:30:52 18 MR. SHERMAN: Objection.

16:30:53 19 A. I can imagine that we do have that as a disclaimer.

16:30:56 20 BY MR. BAUGHMAN:

16:30:56 21 Q. And you agree that that's true, right?

16:31:03 22 A. Well, I agree that that's true because nothing is  
16:31:06 23 really a guarantee of future performance.

16:31:19 24 Q. Hyder Plc. Do you know what Hyder was?

16:31:23 25 A. No.

Dolenec, Karen - 6/18/2010

Page 212

16:31:25 1 Q. Do you know anything about the structure of the

16:31:27 2 Hyder transaction?

16:31:28 3 A. I do not.

16:31:31 4 Q. Inn Partnership, do you know what that transaction  
16:31:32 5 was?

16:31:34 6 A. That was a pub company.

16:31:35 7 Q. Do you know anything about the structure of that  
16:31:37 8 transaction?

16:31:38 9 A. Not that I can immediately recall.

16:31:42 10 Q. Voyager, do you know what that transaction was?

16:31:49 11 A. That was a pub company as well.

16:31:50 12 Q. Do you know anything about the structure of that  
16:31:51 13 transaction?

16:31:53 14 A. I probably know a little bit about it. It depends  
16:31:55 15 on what you need to know about that structure.

16:32:00 16 Q. Can you identify for me any similarities between  
16:32:03 17 the voyager transaction and the EMI transaction, other than  
16:32:07 18 the people involved?

16:32:11 19 MR. SHERMAN: Objection.

16:32:20 20 A. I'm a bit confused by your line of questioning.

16:32:23 21 Are you trying to understand what the strategic rationale is  
16:32:27 22 for the various investments that have been made by the  
16:32:30 23 Terra Firma Investments professionals historically and why  
16:32:34 24 those specific investments have been made as part of a  
16:32:36 25 generalist private equity fund?

Dolenec, Karen - 6/18/2010

Page 213

16:32:48 1 BY MR. BAUGHMAN:

16:32:49 2 Q. No. I believe that you testified earlier that you  
16:32:51 3 suspected that what this document showed was the returns  
16:32:54 4 achieved on certain investments, right?

16:32:57 5 MR. SHERMAN: Objection: mischaracterizes.

16:33:01 6 A. I think what it looks like it shows are cash  
16:33:04 7 inflows and cash outflows, or I think that's what it is. It  
16:33:09 8 appears to me. I don't know. There aren't really any  
16:33:12 9 labels.

16:33:28 10 BY MR. BAUGHMAN:

16:33:28 11 Q. My question is -- here's what I'm trying to get at.  
16:33:32 12 Is there any relationship between the cash inflows and  
16:33:35 13 outflows shown in the column under Phoenix Inns and the cash  
16:33:41 14 inflows and outflows shown under the column for  
16:33:44 15 Angel Trains?

16:33:47 16 MR. SHERMAN: Objection.

16:33:48 17 A. What do you mean by a relationship?

16:33:50 18 BY MR. BAUGHMAN:

16:33:50 19 Q. Does one have anything to do with the other?

16:33:54 20 A. Well, for those two transactions they were -- I'm  
16:33:59 21 assuming that they were funded by the same investor. Is  
16:34:05 22 that a relationship?

16:34:42 23 Q. On the right is Thorn. Do you know what the Thorn  
16:34:44 24 transaction was?

16:34:48 25 A. Not particularly.

Dolenec, Karen - 6/18/2010

Page 214

16:34:50 1 Q. If you go to the third page of the exhibit, the  
16:34:55 2 next column is something called Unique. Do you know what  
16:35:00 3 the Unique transaction was?

16:35:02 4 A. That was a portfolio of pubs.

16:35:07 5 Q. Thresher, do you know what the Thresher transaction  
16:35:11 6 was?

16:35:11 7 A. That was a portfolio of off-license shops.

16:35:33 8 Q. Was the Thresher transaction a profitable  
16:35:36 9 transaction for Terra Firma?

16:35:42 10 A. I can't specifically remember because I think it  
16:35:45 11 was sold as part of a portfolio, but my general impression  
16:35:50 12 overall is that it was not a particularly successful one.

16:36:01 13 Q. Do you know what some of the factors are that made  
16:36:04 14 the Thresher transaction not successful?

16:36:10 15 MR. SHERMAN: Objection.

16:36:11 16 A. At a very high level, not having been specifically  
16:36:15 17 involved in the business, I believe that one of the  
16:36:17 18 contributing factors was the increased competition from the  
16:36:21 19 supermarkets.

16:36:25 20 BY MR. BAUGHMAN:

16:36:25 21 Q. That would be a factor that would not apply to  
16:36:28 22 anything having to do with EMI, right?

16:36:34 23 A. Well, I don't know. Supermarkets sell music.

16:36:38 24 Q. Is it your understanding that EMI is facing  
16:36:40 25 competition from supermarkets?

Dolenec, Karen - 6/18/2010

Page 215

16:36:42 1 A. No, I'm just saying I don't know --

16:36:44 2 MR. SHERMAN: Objection.

16:36:45 3 A. I don't know that much about the EMI business plan,  
16:36:47 4 but I'm not sure I could sit here today and say that  
16:36:49 5 supermarkets have nothing at all to do with EMI's business.

16:36:55 6 BY MR. BAUGHMAN:

16:36:55 7 Q. The next one here is Meridien. What was the  
16:36:59 8 Meridien transaction?

16:37:01 9 A. Meridien was a portfolio of hotels.

16:37:03 10 Q. Was that a profitable transaction for Terra Firma?

16:37:06 11 A. Meridien was not a profitable transaction for  
16:37:09 12 Terra Firma.

16:37:11 13 Q. Do you have any understanding of any of the reasons  
16:37:13 14 why Meridien was not a profitable transaction?

16:37:18 15 A. Again, I was not intimately involved in the  
16:37:22 16 Meridien transaction. The Meridien transaction was made, as  
16:37:28 17 you can see here, in early 2001 and as you probably know the  
16:37:34 18 hotel industry went into a downturn, a severe downturn  
16:37:39 19 following September 11.

16:37:45 20 Q. Deutsche Annington, what was that transaction?

16:37:49 21 A. Deutsche Annington was initially a portfolio of  
16:37:53 22 residential houses in Germany.

16:37:55 23 Q. Was that a profitable transaction for Terra Firma?

16:38:01 24 A. We actually still manage a fund which has Deutsche  
16:38:08 25 Annington in it.

Dolenec, Karen - 6/18/2010

Page 216

16:38:10 1 Q. At the top here it says realized?

16:38:14 2 A. Yes.

16:38:15 3 Q. So could you explain how it's listed as realized if  
16:38:19 4 you still own it?

16:38:20 5 A. I assume the reason that it says realized is  
16:38:23 6 because the Deutsche Annington transaction was originally  
16:38:26 7 made when we were part of Nomura and when Deutsche  
16:38:34 8 Annington -- basically my understanding of that transaction  
16:38:37 9 is that Nomura sold part of its stake in Deutsche Annington  
16:38:45 10 into a fund which Terra Firma Capital Partners still  
16:38:49 11 advises?

16:38:50 12 Q. What is that fund, the buyer?

16:38:53 13 MR. SHERMAN: Objection.

16:38:56 14 A. I believe it's --

16:38:58 15 MR. SHERMAN: Withdraw the objection.

16:38:59 16 A. I believe it's called Terra Firma Deutsche  
16:39:01 17 Annington.

16:39:02 18 BY MR. BAUGHMAN:

16:39:02 19 Q. Was the Deutsche Annington transaction a profitable  
16:39:06 20 transaction for Terra Firma Capital Partners 1?

16:39:10 21 MR. SHERMAN: Objection.

16:39:13 22 A. I don't know.

16:39:22 23 BY MR. BAUGHMAN:

16:39:23 24 Q. The next one under column 13 is HBS. Do you know  
16:39:26 25 what the HBS transaction is?



Dolenec, Karen - 6/18/2010

Page 217

16:39:30 1 A. HBS stands for Hyder Business Services. I believe  
16:39:33 2 it was some sort of government servicing business.

16:39:42 3 Q. Do you know whether that was a profitable  
16:39:45 4 transaction for Terra Firma?

16:39:47 5 MR. SHERMAN: Objection.

16:39:47 6 A. I believe HBS was sold in the same portfolio with  
16:39:51 7 Thresher so I don't know the answer to your question.

16:39:55 8 BY MR. BAUGHMAN:

16:39:56 9 Q. Are you aware of any -- do you have any  
16:39:58 10 understanding of any particular factors that made the HBS  
16:40:01 11 transaction a success or not a success?

16:40:07 12 A. Not particularly, no.

16:40:09 13 Q. Innentrepreneur. What was the Innentrepreneur  
16:40:13 14 transaction?

16:40:13 15 A. Innentrepreneur was also a pub company.

16:40:17 16 Q. Was that a profitable transaction for Terra Firma?

16:40:19 17 A. I believe that it was.

16:40:20 18 Q. And do you have an understanding of any of the  
16:40:29 19 factors that made that a profitable transaction?

16:40:39 20 A. Not specifically to that particular investment.

16:40:42 21 Q. You've been involved in several pub transactions,  
16:40:45 22 right?

16:40:45 23 A. Yes.

16:40:46 24 Q. And the pub transactions have generally been  
16:40:49 25 successful transactions for Terra Firma; correct?

Dolenec, Karen - 6/18/2010

Page 218

16:40:52 1 A. That's correct.

16:40:53 2 Q. Based on that experience can you identify for me  
16:40:56 3 any of the factors that you believe contributed to the  
16:40:58 4 success of the pub transactions?

16:41:02 5 A. To the success of the pub transactions overall, not  
16:41:05 6 this specific one?

16:41:07 7 Q. Yes.

16:41:08 8 MR. SHERMAN: Objection.

16:41:14 9 A. Some of the things that contributed to the success  
16:41:17 10 of the pub transactions is buying the pubs at a time when  
16:41:25 11 pubs were basically being run as distribution outlets of  
16:41:31 12 breweries and weren't recognized as a business in their own  
16:41:35 13 right. And putting pub companies together, sharing best  
16:41:41 14 practices across the pub companies, developing an industry  
16:41:45 15 leading lease model for the tenants, being able to work with  
16:41:50 16 the financing markets to get them to understand the  
16:41:53 17 underlying dynamics of a tenanted pub business as  
16:41:58 18 differentiated from a distribution arm of a brewery are some  
16:42:05 19 of the factors that I believe contributed to the success of  
16:42:08 20 those investments.

16:42:11 21 Q. The next one is Annington Homes. Do you know what  
16:42:13 22 the Annington Homes transaction is?

16:42:16 23 A. Annington Homes is a portfolio of residential  
16:42:20 24 properties in the UK.

16:42:24 25 Q. Do you know whether that portfolio was acquired in

Dolenec, Karen - 6/18/2010

Page 219

16:42:29 1 an auction situation?

16:42:33 2 A. That portfolio was acquired from the government.

16:42:38 3 Q. Were there multiple bidders for the portfolio?

16:42:45 4 A. I don't remember -- I wasn't here when that  
16:42:47 5 transaction was done.

16:42:50 6 Q. Do you know whether that was a profitable  
16:42:51 7 transaction for Terra Firma Capital Partners 1?

16:42:58 8 MR. SHERMAN: Objection.

16:42:58 9 A. It's only partially realized, but it has been  
16:43:01 10 profitable.

16:43:01 11 BY MR. BAUGHMAN:

16:43:02 12 Q. What are some of the factors that made that a  
16:43:04 13 profitable transaction?

16:43:07 14 A. Some of the factors so far that have made that a  
16:43:10 15 profitable transaction is recognizing -- well is building --  
16:43:21 16 working with the management team to build a well-run  
16:43:29 17 business that can manage a vast portfolio of properties as  
16:43:35 18 efficiently as possible. There are also market factors in  
16:43:39 19 that house price inflation ended up being higher than  
16:43:43 20 expected.

16:43:49 21 Q. By that you mean as house prices rose that made the  
16:43:52 22 asset that Terra Firma had acquired more valuable?

16:43:56 23 A. Yes, because it was a portfolio of houses.

16:44:08 24 Q. And that was something that was not anticipated at  
16:44:11 25 the time of the acquisition; is that correct?

Dolenec, Karen - 6/18/2010

Page 220

16:44:14 1 A. I think the house prices have increased faster than  
16:44:18 2 expectation.

16:44:18 3 Q. So sometimes you would agree the return on  
16:44:21 4 investment depends in part on luck?

16:44:25 5 MR. SHERMAN: Objection.

16:44:27 6 A. Yes, of course.

16:44:32 7 BY MR. BAUGHMAN:

16:44:32 8 Q. The next one here is Infinis. What was the Infinis  
16:44:36 9 transaction?

16:44:37 10 A. Infinis is actually a business that was created out  
16:44:39 11 of the acquisition of the waste recycling group. The waste  
16:44:44 12 recycling group was a portfolio of landfill sites and  
16:44:47 13 Infinis is the landfill gas business that was created out of  
16:44:51 14 the waste recycling group.

16:44:55 15 Q. So it was created by Terra Firma after acquiring  
16:44:59 16 some other assets. Do I understand correctly?

16:45:02 17 A. That's correct, Infinis was a company that was  
16:45:04 18 created by Terra Firma.

16:45:07 19 Q. And has the Infinis transaction been a successful  
16:45:10 20 one?

16:45:10 21 MR. SHERMAN: Objection.

16:45:15 22 A. We still own Infinis, but it is likely to be a  
16:45:18 23 successful one given that it was a company that was created.

16:45:44 24 BY MR. BAUGHMAN:

16:45:44 25 Q. The next one is -- you've got to go two pages.

Dolenec, Karen - 6/18/2010

Page 221

16:45:49 1 It's Odeon/UCI. What's that transaction?

16:45:55 2 A. That's two cinema chains.

16:45:58 3 Q. Were they purchased together or separately?

16:46:01 4 A. They were two separate transactions that were

16:46:03 5 done -- that were agreed to be done on the same day.

16:46:11 6 Q. Was the acquisition of Odeon an auction situation?

16:46:22 7 A. I'm not entirely sure, but I believe so.

16:46:24 8 Q. How many companies submitted bids for Odeon?

16:46:28 9 A. I have no idea.

16:46:29 10 Q. Who were the competitors?

16:46:30 11 A. I have no idea.

16:46:32 12 Q. UCI, was that an auction situation?

16:46:39 13 A. I don't know.

16:46:40 14 Q. Have Odeon and UCI been combined into a single

16:46:47 15 company?

16:46:48 16 A. They have subsequently been combined, yes.

16:46:50 17 Q. And that was done by Terra Firma?

16:46:53 18 A. Yes.

16:46:54 19 Q. Has the Odeon/UCI transaction been a successful

16:46:57 20 transaction?

16:46:57 21 A. Well we still own that transaction. We still own

16:47:00 22 that business.

16:47:03 23 Q. And what is your understanding of the expectation

16:47:05 24 as to whether that will be successful or not?

16:47:08 25 A. My expectation is that we will make a return on

Dolenec, Karen - 6/18/2010

Page 222

16:47:10 1 that investment, yes.

16:47:11 2 Q. And what is your understanding of some of the  
16:47:13 3 factors that will lead Terra Firma to make a return on that  
16:47:17 4 investment?

16:47:19 5 MR. SHERMAN: Objection.

16:47:22 6 A. Some of the factors involved in what will  
16:47:26 7 ultimately make that a successful transaction or not will be  
16:47:30 8 what the market conditions and pricing for those sorts of  
16:47:33 9 assets are at the time that we sell that company compared to  
16:47:37 10 what they were at the time that we acquired those  
16:47:39 11 businesses.

16:47:45 12 BY MR. BAUGHMAN:

16:47:45 13 Q. That's in the cinema market?

16:47:47 14 A. In the market for a cinema or other assets that a  
16:47:49 15 potential buyer would consider to be similar to cinemas.

16:47:55 16 Q. Would you consider a music business to be similar  
16:47:58 17 to cinemas?

16:48:05 18 MR. SHERMAN: Objection.

16:48:05 19 A. You've asked a number of times about whether these  
16:48:08 20 various businesses are similar to each other or similar to  
16:48:15 21 the music business and I would say as a response to that  
16:48:17 22 that they are in different -- many of them are in different  
16:48:18 23 industries, but there are some underlying characteristics  
16:48:20 24 which is why Terra Firma has invested in these particular  
16:48:23 25 businesses as opposed to other businesses.

Dolenec, Karen - 6/18/2010

Page 223

16:48:26 1 Q. What are those underlying characteristics?

16:48:29 2 A. Well, some of the trades that we typically look for  
16:48:33 3 in an investment are businesses that have strong asset  
16:48:37 4 backing but also quite substantial opportunities for  
16:48:41 5 improvements in the underlying businesses.

16:48:52 6 Q. BGCL, what was that transaction?

16:48:56 7 MR. SHERMAN: Objection.

16:49:07 8 A. It doesn't actually have any numbers against it.

16:49:09 9 Q. That was my next question.

16:49:16 10 A. I'm not exactly sure, but my understanding is that  
16:49:22 11 BGCL and ESH, which is East Surrey Holdings, were together a  
16:49:28 12 group of utilities that were acquired which the only  
16:49:31 13 business which we still own today from that transaction, if  
16:49:34 14 my understanding is correct, is Phoenix natural gas.

16:49:40 15 Q. Do you have an understanding of whether or not or  
16:49:43 16 an expectation as to whether or not the Phoenix natural gas  
16:49:46 17 transaction will be a successful transaction?

16:49:50 18 A. My current expectation would be yes.

16:49:53 19 Q. And are there any factors you can identify that you  
16:49:57 20 believe will contribute to the success of the Phoenix  
16:49:59 21 natural gas transaction?

16:50:00 22 A. Again, part of it will depend on what the market is  
16:50:05 23 for that asset at the time of disposal versus what it was at  
16:50:09 24 the time of acquisition. Specific to that business one of  
16:50:14 25 the things that might impact the success of that business is

Dolenec, Karen - 6/18/2010

Page 224

16:50:17 1 the growth of the natural gas market in Northern Ireland.

16:50:26 2 Q. Have you ever heard of a woman named

16:50:28 3 Marianne DeMario?

16:50:32 4 A. Could you repeat that please?

16:50:33 5 Q. Marianne DeMario?

16:50:36 6 A. I can't recall that name right now.

16:50:38 7 Q. Don't recall ever meeting anyone named

16:50:40 8 Marianne DeMario?

16:50:42 9 A. I cannot recall that name right now.

16:50:47 10 MR. BAUGHMAN: Why don't we take a break. Give me

16:50:49 11 five minutes and then we may be done.

16:50:53 12 MR. SHERMAN: Can you give me the Bates number

16:50:55 13 again for the thing you just went through?

16:50:59 14 MR. BAUGHMAN: 635801.

16:51:02 15 THE VIDEOGRAPHER: Going off the record. The time

16:51:03 16 is 16:51.

16:51:07 17 (Break taken.)

16:57:25 18 THE VIDEOGRAPHER: Going back on the record. The

16:57:27 19 time is 16:57.

16:57:31 20 MR. BAUGHMAN: Ms. Dolenec, I don't have any

16:57:32 21 further questions for you. Thank you very much for your

16:57:34 22 patience and your time.

16:57:37 23 MR. SHERMAN: Thank you.

16:57:39 24 THE VIDEOGRAPHER: Going off the record. The time

16:57:41 25 is 16:57. End of tape 4, Volume I. This is the end of the



Dolenec, Karen - 6/18/2010

Page 225

16:57:47 1 videotaped deposition of Karen Dolenec.

16:57:52 2 (Whereupon, the deposition concluded at

16:58:04 3 16:58 p.m.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25